

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

**SINGLE AUDIT
MANAGEMENT LETTER**

JUNE 30, 2007



May 20, 2008

Board of Supervisors
County of San Bernardino
San Bernardino, CA

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007 and have issued our report thereon dated May 20, 2008. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

FEDERAL AWARD REPORTING

OBSERVATION:

During our examination of the County's procedures over compiling the Schedule of Expenditures of Federal Awards (SEFA) under the Office of Management and Budget (OMB) Circular A-133, it was noted that the County departments omitted federal expenditures from its SEFA. The omitted grants affected the County's SEFA for fiscal years ending June 30, 2005, 2006 and 2007.

- In fiscal year 2005, the County received and expended a grant from the Natural Resource Conservation Service (NRCS). The grant allowed the County to conduct the Tree Mortality Project in response to Bark Beetle infestation. Grant expenditures occurred during FY 2005. However, it was noted the federal expenditure were not reported in the County's Fiscal Year 2005 SEFA.

- In fiscal year 2006, the County received and expended another grant from the Natural Resource Conservation Service (NRCS). This grant also allowed the County to conduct the Tree Mortality Project in response to Bark Beetle infestation. Grant expenditures occurred during FY 2006. However, it was noted the federal expenditure were not reported in the County's Fiscal Year 2006 SEFA.
- As a result of our audit, we identified two federal grants with expenditures that were not accurately reported on the County's fiscal year 2007 SEFA; the Urban and Community Forestry grant and the Reclamation and Water Reuse Program. We proposed audit adjustments to properly reflect total grant expenditures for FY 2007. We noted the adjustment proposed to the Urban and Community Forestry grant resulted in the program requiring to be separately audited as a major program under OMB A-133.

RECOMMENDATION:

We recommend that the county implement stronger policies and procedures to ensure the schedule of expenditures of federal award if accurate and complete each year, all federal awards are communicated to the internal audit department on a consistent basis.

MANAGEMENT'S RESPONSE:

The Auditor/Controller-Recorder's Office will continue to provide training to the departments regarding the need to report all federal grants. In addition, checks will be made with the grant administration office's records to determine if all federal grants are listed on the SEFA.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

SPECIAL SUPPLEMENTAL NUTRITION FOR WOMEN, INFANT & CHILDREN (WIC) CFDA # 10.557

ELIGIBILITY

RECOMMENDATION:

As a result of the June 30, 2006 single audit, we recommended that at the end of the day a designated person (Department Head/Supervisor) at each site ensures that each of the clients' information (eligibility documents) are in the daily folder/file that is used to store such eligibly information.

STATUS AS OF JUNE 30, 2007:

Implemented

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT CFDA #93.959

REPORTING/ALLOWABLE COSTS & ACTIVITIES

RECOMMENDATION:

As a result of the June 30, 2006 single audit, we recommended that a procedure be implemented to facilitate the timely reconciliation of costs per FAS to the Cost Report.

STATUS AS OF JUNE 30, 2007:

Implemented - DBH has put a procedure in place to ensure timely completion of the reconciliation.

CHILD SUPPORT ENFORCEMENT CFDA # 93.563

ALLOWABLE COSTS AND ACTIVITIES

RECOMMENDATION:

As a result of the June 30, 2006 single audit, we recommended that the Department periodically perform a reconciliation to ensure that the payroll posting performed by the county payroll processing unit is accurate and complete.

STATUS AS OF JUNE 30, 2007:

Implemented - As of March 12, 2007, the department initiated a practice of requiring the staff from Administrative Services to reconcile payroll registers to the Financial Accounting System (FAS) on a biweekly basis. This task is currently assigned to the Accountant II with supervisory oversight from the Administrative Services Supervisor.

CHILD SUPPORT ENFORCEMENT CFDA # 93.563

REPORTING

RECOMMENDATION:

As a result of the June 30, 2006 single audit, we recommended that the County ensure that established procedures regarding reporting are consistently followed to ensure the timely submittal of all reports.

STATUS AS OF JUNE 30, 2007:

Implemented - As of March 12, 2007, the Department initiated a practice of requiring the Operations Manager of the State Disbursement Team to notify the Director when there are issues with reconciling the CS34/35. The Director will determine if an extension is needed and contact Linda Adams, Chief of the Financial Planning Branch at the State Department of Child Support Services, as appropriate.

STATE HOMELAND SECURITY GRANT PROGRAM

SUBRECIPIENT MONITORING

RECOMMENDATION:

As a result of the June 30, 2005 single audit, we recommended that the County establish and enforce policies and procedures for the monitoring of sub recipients. In addition, we recommend that the County conduct periodic field visits in order to verify compliance with federal requirements. In addition, we recommend the County establish a contract between the County and the sub recipients in order to communicate the federal award information and federal compliance requirements as prescribed in OMB Circular A-133. The County must review the sub recipient's procurement policies to ascertain compliance with federal requirements.

STATUS AS OF JUNE 30, 2007:

Implemented – We noted the department has drafted a Sub-Recipient Grant Monitoring Policy which will address the site visit requirements, communication of applicable federal award information, and compliance requirements. In addition, the department will mail a Single Audit Review Form to all current sub-recipients that received awards from the 2007/08 Homeland Security Grant. This will be completed by February 29, 2008 and required to be returned to prior to receiving any reimbursement from the grant. Site audits will begin no later than September 2008.

**STATE HOMELAND SECURITY GRANT PROGRAM
EQUIPMENT AND REAL PROPERTY MANAGEMENT**

RECOMMENDATION:

As a result of the June 30, 2005 single audit, we recommended that the County implement policies and procedures to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system in accordance with Federal requirements.

STATUS AS OF JUNE 30, 2007:

Implemented – The department has drafted a Grant Policy covering this compliance requirement. County Fire intends on implementing this policy in phases beginning with the input of all previous grant year equipment into an inventory software system called “Instock”. This system will be used only for Homeland Security Equipment Tracking.

STATE HOMELAND SECURITY GRANT PROGRAM

CASH MANAGEMENT

RECOMMENDATION:

As a result of the June 30, 2005 single audit, we recommended that the County implement policies and procedures to ensure the accuracy and completeness of each drawdown request submitted to the State. Internal controls should include proper supervision and review of each drawdown request and proper segregation of duties between those who prepare the drawdown requests and those reviewing and submitting them to the State.

STATUS:

Implemented – Pre the department, compliance with this policy has been in place since January 2007. Currently all requests for advances or reimbursement must have a reconciliation spreadsheet attached itemizing the sub-recipient, the dollar amount, and items included on the grantor’s request form. Copies of this along with copies of the check from the grantor are kept with the Division administering the grant.

Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2006, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vavnick, Tami, Day, Co., LLP

Rancho Cucamonga, California
May 20, 2008